

**SEAFORD CENTER
AUDIT REPORT
MEDICAID COST REPORT AND
NURSING WAGE SURVEY
JUNE 30, 2005**

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NURSING WAGE SURVEY
JUNE 30, 2005**

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Independent Auditors' Report

State of Delaware
Office of Auditor of Accounts
Dover, Delaware

We have audited the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities – Title XIX, pages 2 through 6 (the Cost Report) and Nursing Wage Survey (the Survey) of Seaford Center (the Facility) for the year ended June 30, 2005. The Cost Report and Survey are the responsibility of the Facility's management. Our responsibility is to express an opinion on the Cost Report and Survey based on our audit, which are not affixed hereto.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Cost Report and Survey are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Cost Report and Survey. An audit also includes assessing the accounting principles and Medicaid principles of cost reimbursement used and significant estimates made by management, as well as evaluation of the overall presentation of the Cost Report and Survey. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, except for the accompanying Schedule of Adjustments, the Cost Report and Survey of Seaford Center referred to above presents fairly, in all material respects, the reimbursement costs of the Facility for the year ended June 30, 2005 in conformity with accounting principles generally accepted in the United States of America and Medicaid principles of cost reimbursement.

Independent Auditors' Report (Cont'd.)

In accordance with *Government Auditing Standards*, we also issued our report dated March 2, 2008 on our consideration of the Facility's internal control over reporting for the Cost Report and Survey and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

McBride, Shopa & Co

Wilmington, Delaware
March 2, 2008

SEAFORD CENTER
SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT
COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX
AND THE NURSING WAGE SURVEY
YEAR ENDED JUNE 30, 2005

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Audit Adjustments</u>		<u>Adjusted Amounts</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
				<u>No.</u>	<u>Amount</u>			
<u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u>								
<i>Primary Patient Care Costs (lines 1-5)</i>								
Nursing Staff Salaries - Staff Nurse	2	1	\$ 2,839,229	1	\$ (54,609)	\$ 2,784,620		S-1
Nursing Staff Benefits	2	2	716,573	2	(8,343)	708,230		S-1 S-2
Unadjusted lines	2	3-4	<u>11,359</u>		<u>-</u>	<u>11,359</u>		
Subtotal - Primary Patient Care	2	5	3,567,161		(62,952)	3,504,209	\$ 80.89	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Medical Supplies	2	10	198,411	1 2	9 (2,503)	195,917		O-1 O-3
Other	2	12	5,854	3	(5,424)	430		O-1
Unadjusted lines	2	6-9, 11	<u>352,867</u>			<u>352,867</u>		
Subtotal - Secondary Patient Care	2	14	557,132		(7,918)	549,214	12.68	
<i>Support Service Costs - unadjusted (lines 15-22)</i>	2	22	1,128,732		-	1,128,732	26.06	
<i>Administrative & Routine Costs (lines 23-32)</i>								
Other Administrative Salaries	2	25	210,781	1	147,119	357,900		S-1
Employee Benefits	2	26	14,043	2	2,007	16,050		S-1
Medical Records	2	27	162,339	3	(110,712)	51,627		S-1
Other	3	31	231,251	4 5 6	(3,299) (1,295) 2,227	228,884		O-2 O-1 O-3
Unadjusted lines	2,3	23-24, 28-30	<u>599,692</u>			<u>599,692</u>		
Subtotal - Administrative & Routine	3	32	1,218,106		36,047	1,254,153	28.95	
<i>Capital Costs - unadjusted (lines 33-39)</i>	3	39	447,669		-	447,669	10.33	
SUBTOTAL	3	40	6,918,800		(34,823)	6,883,977	158.90	

SEAFORD CENTER
SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT
COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX
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YEAR ENDED JUNE 30, 2005

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<u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS (Cont'd.)</u>								
<i>Ancillary Costs (lines 41-49)</i>								
Other & Employee Benefits	3	48	864	1	6,870	7,734		O-1
Unadjusted lines	3	41-47	<u>1,066,627</u>		<u>-</u>	<u>1,066,627</u>		
Subtotal - Ancillary Costs	3	49	1,067,491		6,870	1,074,361	24.80	
<i>Other Costs - unadjusted (lines 50-52)</i>								
	3	52	<u>17,006</u>		<u>-</u>	<u>17,006</u>	<u>0.39</u>	
TOTAL COSTS	3	53	<u>\$ 8,003,297</u>		<u>\$ (27,953)</u>	<u>\$ 7,975,344</u>	<u>\$ 184.09</u>	

PART II - COST REPORT PATIENT DAYS

Total beds	6	1, 3	124		124
Total bed days available	6	4	45,260		45,260
90% minimum census threshold	6		40,734		40,734
Total census days	6	5E	43,321		43,321

PART III - NURSING WAGE SURVEY

II. Staff Nurse Information

A.	Percent of Hours Patient Certified - DON	10	A(1)	20%				NWS-1
	Percent of Hours Patient Certified - ADON	10	A(2)	80%				NWS-1
B.	Total Payroll by category: CNAs	11	B	\$ 53,264	190	\$ 53,454		NWS-2
	Total Hours Paid to Staff for Pay Period: CNAs	11	B	4,584	15	4,599		NWS-2

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

Adjustments affecting salaries (S):

- S-1** To adjust and correct provider adjustments #24-26 and #30-31. Adjustment was calculated incorrectly, in addition, the adjustment calculated by provider was booked to lines 24 and 27 instead of lines 24, 25 and 27.

Adjustments affecting other costs (O):

- O-1** To reclassify costs listed as "ancillary" on the crosswalk into proper cost center
O-2 To remove unallowed advertising costs from Cost Report
O-3 To reclassify supplies listed on crosswalk as "Office Supplies" out of Medical Supplies and into proper cost center

Adjustments affecting Nursing Wage Survey Data

- NWS-1** To indicate improper allocation of DON and ADON patient-centered time
NWS-2 To adjust to agree to backup documentation.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON A FINANCIAL AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

State of Delaware
Office of Auditor of Accounts
Department of Health & Social Services
Division of Social Services Medicaid
Dover, Delaware

We have audited the Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities – Title XIX, pages 2 through 6 (the Cost Report) and the Nursing Wage Survey (the Survey) for Seaford Center (the Facility) for the year ended June 30, 2005, and have issued our report thereon dated March 2, 2008, which was qualified due to the required adjustments reported in the Schedule of Adjustments accompanying it. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Cost Report and Survey and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the Cost Report and Survey being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facility's Cost Report and Survey are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of reported amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving instances of immaterial noncompliance and nonreportable conditions or other matters involving internal control over reporting that came to our attention:

Problem: The facility incorrectly included a high percentage of time for the Director of Nursing (20%) and the Assistant Director of Nursing (80%) as patient centered hours on the Nursing Wage Survey. The State of Delaware Senate bill Number 135 specifically states that time incurred by the Director of Nursing and the Assistant Director of Nursing should only be patient centered under exigent circumstances, which are required to be approved by the Division prior to the occurrence. Supporting documentation was not received from Management, nor was an explanation given for the higher rate utilized. Consequently, a line for this was included in the Nursing Wage Survey adjustment section, however, as no information was obtained as to the correct rate, the amount of the adjustment is indeterminable.

Suggestion: Management should review the basis for determining the percentage of time the Director of Nursing and the Assistant Director of Nursing perform patient centered functions. The most appropriate method for determining this percentage of time would be to maintain the records of when the exigent circumstances occur, resulting in these two individuals performing patient centered hours.

* * * * *

Problem: In its plant ledger, the facility includes many assets which cost less than \$5,000, the allowable capitalization minimum for Medicare and Medicaid purposes. All assets in the plant ledger must be depreciated over their estimated useful lives, requiring several years before costs can be recovered through Medicare and Medicaid reimbursement. Further, the added volume of assets increases the recordkeeping burden of maintaining the plant ledger.

Suggestion: Management should consider increasing its capitalization floor to \$5,000 to allow increased reimbursement in the year of smaller asset purchases and reduce the future burden of maintaining its plant ledger.

* * * * *

Problem: The Facility is depreciating some fixed assets using useful lives that are not in accordance with AHA guidelines. As a result the facility is including incorrect depreciation amounts in its cost report.

Suggestion: Management should follow AHA guidelines when depreciating asset additions.

* * * * *

Problem: Certain employees selected for testing did not have backup in their personnel file supporting their pay rates and positions. Additionally, certain employees were paid for PTO without supporting documentation in the file.

Suggestion: Management should keep employee files up to date and make sure all pertinent information is available on a timely basis.

* * * * *

Problem: Certain employees' timecards did not match the hours paid on the payroll register during the periods selected for testing. The amounts were immaterial and no adjustment was proposed.

Suggestion: Management should make sure that hours paid match the timecards, and any discrepancies be explained.

* * * * *

Problem: The salaries for various administrative nurses were adjusted out of Line 1b. Per the instructions, the amount adjusted out of Line 1b is the non-patient centered time, and "this proportion should directly correspond to the percentage stated on the wage survey." There were two items listed on the adjustment, CW01 and CSC1, which were adjusted off. However, these employees were not listed on the Nursing Wage Survey as Administrative Nurses.

Suggestion: Management should make sure that the information on the Nursing Wage Survey and the Cost Report match when filing these reports.

* * * * *

The Facility has reviewed the above matters and the Schedule of Adjustments. Written responses received by us during the comment period were considered and, if acceptable, mutually agreed-upon modifications have been reflected in our reports. Any further modifications and administrative follow-up will be handled by the Department of Health and Social Services of the State of Delaware.

This report is intended solely for the information and use of the Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware and the Board of Directors and management of Seaford Center, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of the Budget, and the Department of Finance. However, under 29 Del. C. Section 10002 this report is public record and its distribution is not limited.

McBride, Shopa & Co

Wilmington, Delaware
March 2, 2008